



NEWS RELEASE

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OKLAHOMA WHEAT QUALITY LOSSES AND CROP INSURANCE

Producers that carry multi-peril crop insurance policies subsidized and reinsured by the Federal Crop Insurance Corporation (as administered by the Risk Management Agency (RMA)) may be eligible for quality loss adjustments if the reason for the loss in value is due to a covered event. An example is the drought in some areas and excess precipitation in other areas, both followed by freeze damage in April.

In order to protect your rights under your policy, it is imperative that you always report any damage in the required timeframes and seek advice from your insurance company before proceeding with harvest or destruction of the damaged crop. Failure to do so may jeopardize your claim. Crop insurance policies require that farmers notify their company within 72 hours of noticing a loss. It is important that farmers be proactive in checking their fields to determine if there is any damage to the crop before harvest.

Quality adjustments are available for loss in value for conditions such as low test weight, damaged kernels, and shrunken or broken kernels. Discounts made for crop insurance loss purposes may not be the same as those seen at the elevator. For example, quality discounts begin when the test weight is under 50 pounds, defects are above 15% or grade is U.S. No. 5 or worse. RMA discount factors for wheat are constructed by compiling and using loan discount data from the Farm Service Agency and national average loan rates for the past 10 years. These discount factors remain uniform between the Actual Production History, Crop Revenue Coverage, and Revenue Assurance plans of insurance throughout all counties in Oklahoma.

Any production of extremely poor quality wheat that has a value not located on the discount factor charts in the Special Provisions of Insurance (“off the discount tables”) is adjusted by taking the actual sale price based upon the Reduction In Value divided by the local market price to equal the discount factor for the production.

In the event that the production has a Zero-Market Value Production, RMA loss procedures require insurance providers to make every effort to find a market for the production before declaring a zero value. Therefore, insurance providers will not be making declarations of zero market value until they can firmly establish that there is no market for poor quality grain. Quality adjustments are based on samples obtained by the adjuster or other disinterested party authorized by the insurance provider, such as an elevator employee. Harvested and delivered production samples taken from each conveyance and blended may be accepted under certain conditions.

If vomitoxin is suspected, the sample must be collected before the grain is placed in storage to be eligible for quality adjustment. The samples should be placed in a heavy paper bag for delivery to an approved

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laboratory for a determination of whether vomitoxin is present. RMA has established predetermined discount factors for vomitoxins in the range of 0.1 to 10.0 parts per million. If a load is rejected at harvest but the test reveals no vomitoxin, the wheat may be brought back to the elevator for possible delivery. It is very important that producers work with their insurance providers if they believe they have quality losses on their wheat.

The following link provides details on these changes and examples of the application of quality adjustment factors: <http://www.rma.usda.gov/news/2006/11/qualityadjustment.pdf>.